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IN THE

# Supreme Court of the United States

October Term, 1955

No._____

CHARLES F. RUBSAM,
*Petitioner*

vs.

HARLEY C. LONEY COMPANY,
*Respondent*

Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Sixth Circuit

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Petitioner, Charles F. Rubsam, prays that a writ of certiorari issue to review a judgment of the United States Court of Appeals for the Sixth Circuit entered December 20, 1954 (App. 16) and with respect to which a petition for rehearing was denied April 5, 1955.*

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* References marked "R" are to the pages of the transcript of the record in the court below, filed with the Clerk pursuant to Rule 21 (1) of the Rules of this Court; nine additional copies of the record have been filed pursuant to Rule 21 (4). References marked "App." are to the Appendix of this petition. References to the 11 documents contained in the record are marked "R. Document" with the number thereof.

## OPINIONS BELOW

The opinion of the District Court (R.44 - 60) reported in 117 F. Supp. 164, is not printed in the Appendix hereto because nine copies of the record have been filed under Rule 21 (4).

The opinion of the Court of Appeals is reported in 217 F. 2d 353 and is printed in the Appendix hereto, pp. 16-18.

## JURISDICTION

The judgment of the Court of Appeals was entered December 20, 1954 (App. 16). A timely petition for rehearing was denied on April 5, 1955 (R. Document No. 11). The jurisdiction of this Court is invoked under 28 U.S.C. 1254 (1).

## QUESTIONS PRESENTED

1. In an action on a patent license contract conveying exclusive rights under various United States patents, can the Federal Courts void such property rights by singling out one specific patent, ignore the others and dismiss the action on the ground that exclusiveness did not prevail?

2. In an action on a patent license contract under various United States patents, can the Federal Courts ignore the invalidity of the most important patent and dismiss the action on the ground that said patent was valid and in effect?

3. Can a Court of Appeals ignore the facts upon which Petitioner based his appeal and render a *per curiam* decision based on facts which were not involved in the appeal?

4. In an action on a patent license contract conveying rights under various license agreements superseding each other and covering the territory of the United States, can the Federal Courts dismiss the action by singling out an initial agreement and ignore the fact that it was subsequently cancelled and terminated and disregard the effect of all subsequent and superseding agreements?

## CONSTITUTIONAL PROVISIONS INVOLVED

The pertinent provisions of the Fifth Amendment to the Constitution of the United States provide:

> " . . . nor shall any person . . . be deprived of life, liberty or property, without due process of law; . . ."

## STATEMENT

This cause concerns an action of law involving various patent license agreements, in connection with an initially cancelled contract, and covering five patents owned by Respondent one of which was declared invalid in July 1947. These patents are in evidence, and copies appear in record following page 142, as follows:

Hume 2036757 Appl. Ser. No. 645,504.....Ex. E-2
Hume 2122065 .....Ex. E-3
DuSang 2029561 .....Ex. E-1
Hatch 2173321 .....Ex. BBB
Kalajian 2314145 .....Ex. BBB

Of these, the DuSang patent No. 2029561 must be excluded because its claim 1 covering the construction of casting a balance weight onto a spring clip was held invalid by the courts wherefore this invention became public property after July 23, 1947. A copy of the DuSang patent Ex. E-1 disclaiming the invention covered by its claim 1 is included in the Appendix hereto.

All Loney owned patents relate to spring clip balance weights which are used extensively on automobile wheels to assure safety at high speed.

This petition is filed for securing a correct interpretation of the all-important paragraph 2 of agreement A entered into between Petitioner and Respondent on February 17, 1936. Said paragraph (R. 4 bottom) conveys to Petitioner exclusive manufacturing and selling rights under any and all patents owned by Respondent under the following grant:

> "2. Hume and Loney hereby grant to Rubsam an exclusive license under United States patent to issue on said application No. 645,504, and/or under any other patent that may issue on any application for letters patent by Hume and/or that may be owned or controlled by Hume or Loney for the life of any and all of said patents, and without royalty payment to manufacture and sell throughout the United States balance weights to automobile manufacturers as standard equipment to be used in balancing wheels at the assembly plant, but not elsewhere, having a resilient spring clip for retaining the weight in position upon the edge of the tire retaining flange of the wheel rim;"

Under this sweeping exclusive license Respondent excluded itself definitely from the automobile production field by conveying to Petitioner the right to use Respondent's patents in that field as if they were owned by him. This is evident from paragraph 2 of the subsequent agreement C, dated August 24, 1936 (R. 9-11), under which Respondent accepted from Petitioner a non-exclusive back-license under its own patents to sell the same spring clip weights for balancing wheels at the factories of General Motors subsidiaries by paying Petitioner a royalty of ½ cent for each weight sold. (See paragraph 2 R. 9 bottom.)

Thus, Respondent recognized without any reservation that Petitioner owned and controlled this production field under said agreement Ex. A in connection with the supplementary agreement Ex. C.

In its decision dated December 20, 1954, the Court of Appeals totally ignored the well defined exclusive patent rights which Petitioner had acquired under all patents owned by Respondent. By disregarding the provisions covered by the agreement Ex. C, the court considered only agreement Ex. A for which it stated as follows, (App. 18, end of first paragraph)

> "That agreement included a license under any other patent that may issue on my application for letters patent by Hume or Loney. *It did not cover additional license rights under the same patent.*"

This action was started in the District Court to recover royalties due after January 1, 1948 on two specific issues, viz. on an express license under the patents owned by Respondent called herein "the Loney patents" which have been listed on foregoing page 3, and on an implied license under patents owned by Petitioner called herein "the Rubsam patents." The District Court treated these two licenses separately and covered said *express license under the Loney patents* in the first 9 pages of its decision (R. 44-52 top). The implied license under the Rubsam patents was covered in another 9 pages (R. 52-60) and was not involved in the appeal. In his petition for rehearing (R. Document No. 6) Petitioner explained on pages 4 and 5 that he agreed with the District Court's finding regarding the Rubsam patents. For this reason, these patents are not here in evidence, being out of the case.

Petitioner clarified this on page 20 of said petition for rehearing as follows.

"However, the 'implied license' is not connnected with this appeal which covers exclusively the 'Express License' which Plaintiff conveyed to Defendant under any and all of its owned or controlled patents. Plaintiff therefore respectfully requests that this Court hand down a supplemental Decision."

This action is accordingly limited to the Express License. The scope of that license involves various patent license contracts superseding each other under the reservation of paragraph 2 of agreement A as follows (R. 5 top):

> ". . . the herein granted license is subject to outstanding licenses entered into between Hume and Chrysler Motor Corporation of Detroit, Michigan, dated December 13, 1932, between Loney and the Nash Motor Company of Kenosha, Wisconsin, bearing date June 29, 1933 and between Hume and Virgil L. DuSang, Kokomo, Indiana, executed December 4, 1934."

The record shows that these 3 licenses were terminated in 1936 and 1938 as follows:

CHRYSLER received from Respondent a paid-up license and Petitioner makes no claim for royalties payable by that company.

NASH royalties were payable directly to Petitioner under the assignment covered by paragraph 4 of agreement Ex. B (R. 7 middle), and Petitioner makes no claim for royalties payable by Respondent on sales to the Nash Motor Company.

The HUME-DUSANG agreement of December 4, 1934 was cancelled and terminated on July 18, 1938 under paragraph 1 of agreement Ex. G, (R. 34-36). It states in its preamble that Hume and DuSang have assigned their patents to the new owners, the Harley C. Loney Co. and the Turner Mfg. Co. who are desirous to cancel the said Hume-DuSang cross license. Paragraph 1 of said agreement G (R. 35 top) states as follows:

> "All other cross-licensing agreements . . . under which the parties Loney and Turner have heretofore operated, are hereby cancelled and terminated."

Following the execution of said agreement G, Respondent paid the ½ cent royalty on each cast-on spring-clip balance weight to Petitioner under the supplementary agreements. The Royalty Reports are in evidence as Plf! Ex. 72 (R. 106-109) and were made under the following heading:

**"ROYALTY PAID TO"**

> "C. F. Rubsam, Santa Barbara, California, covering amount due as per license agreement on the sale of L&H clip weights to General Motors Corporation units for production purposes only, as entered into by and between C. F. Rubsam and the Harley C. Loney Company under date of August 26, 1936, as well as by Rubsam's and Loney's supplementary agreements of dates thereafter."

Whereas the contract of August 1936, Ex. C (R. 9-11) permitted Respondent to sell spring clip weights only to General Motors subsidiaries, the supplementary agreements referred to in these royalty reports permitted Respondent to extend its sales to numerous additional automobile manufacturers. This is evident from said Ex. 72 which shows sales for the months of November 1946 to May 1947 to the following automobile manufacturers:

Kaiser-Frazer, Studebaker, Federal Motor Truck and Twin Coach Co. Two subsidiaries of the Ford Motor Co. were added later, viz. Lincoln and Mercury as is evident from Respondent's answer to Petitioner's interrogatory No. 10 (R. 113 top).

Despite this overwhelming evidence to the contrary, the District Court and the Court of Appeals denied that additional license rights prevailed.

This action involves U.S. Patent Law as it relates to patent license contracts under Respondent's own patents. While these contracts were in effect, one of these patents, the DuSang patent No. 2029561 which plays a very important role in this action was declared invalid as to claim 1 thereof by the United States Court of Appeals for the Seventh Circuit, "Harley C. Loney Company v. Ravenscroft" 162 F 2d 703 (R. 185-186). That Court affirmed Judge Swigert of the District Court in Hammond, Ind., who had found said patent invalid on Nov. 5, 1945. Petitioner, during cross-examination, testified about this DuSang invalidity after the District Judge questioned him about the date (R. 194 top).

Thus, the District Court was amply informed but decided the action as if the DuSang patent had remained valid. The evidence here includes the disclaimer filed by the owner of the DuSang patent which is printed on page 3 of the patent (Ex. E-1, R. following p. 142) a copy of which is bound at the end of the Appendix to this petition.

This action was brought in the District Court under 28 U.S.C. 1332, Petitioner being a resident of California, Respondent being a Michigan Corporation and the matter in controversy exceeding the sum of $3,000, exclusive

of interest and costs. The District Court denied Petitioner any relief. It held (R. 51-52) that the exclusive license granted by Respondent to Petitioner by agreement A (R. 4-5) did not include cast-on spring-clip weights because of the Hume-DuSang agreement of December 4, 1934 (Ex. 1, R. 21-24). In so holding, the District Court overlooked or ignored:

(a) the fact that the Hume-DuSang agreement was cancelled and terminated by a subsequent agreement of July 18, 1938 (Ex. G, R. 34-36);

(b) the invalidity and disclaimer of claim 1 of the DuSang patent 2029561 covering cast-on spring-clip weights, erroneously stating in this connection that questions of invalidity of patents are not involved.

The Court of Appeals affirmed in a *per curiam* opinion (App. 16). In so doing that Court:

(a) erroneously quoted from paragraph 2 of agreement Ex. A, that

*"IT DID NOT COVER ADDITIONAL LICENSE RIGHTS UNDER THE SAME PATENT,"*

thereby depriving Petitioner of his exclusive license rights under any and all patents owned by Respondent.

(b) did not consider the invalidity of claim 1 of the DuSang patent 2029561 and

(c) erroneously considered the implied license issue under the "Rubsam patents" which was not involved in the appeal.

Under U.S. Patent Law the filing of a disclaimer terminates the scope of the patent and any contract involving such a patent is void and no longer binding. In an action involving patent license contracts it is mandatory for the court to rule on the scope of patents. When several patents are involved, it is just as important to rule on the limited scope of an invalid patent as on the scope of patents which are still running as is the case with two of Respondent's patents, viz. the Hume Pat. No. 2122065 expiring June 28, 1955 and the Kalajian Pat. No. 2314145 expiring March 16, 1960.

In "Motor Wheel Corporation vs. Rubsam Corporation" *supra,* the Court of Appeals for the Sixth Circuit states on page 3 of the opinion (R. Document No. 9):

> "The interpretation of a patent is a question of law for the Court;" also
>
> "In a royalty case the contract is limited by the scope of the patents, and the Court must construe them."

Despite all evidence concerning "invalidity" of claim 1 of DuSang patent 2029561, the District Court ignored it by stating for the express license as follows (R. 44 middle):

> "Questions of validity, invalidity or infringement of patents are not involved."

It is obvious that the District Court erred when concluding its Judgment (R. 52 top) with the words:

> "Rubsam was subject to the exclusive license granted by Hume to DuSang on Dec. 4, 1934."
>
> No one could be held subject to an agreement which was based on an invalid patent.

During the oral argument before the Court of Appeals on December 2, 1954 Petitioner explained the invalidity of the cast-on invention by showing to the Judges the Official Gazette issued by the U.S. Patent Office on August 26, 1947 and read the disclaimer of claim 1 of the DuSang patent printed on page 527 (R. Document No. 10). Petitioner's letter of February 14, 1955 (R. Document No. 8) explains the pleadings during said oral argument by Petitioner as follows:

> "... I recall very distinctly that I discussed during the oral argument *patent law in connection with contract law* which governs my suit against the Harley C. Loney Co. I made particular reference to the invalidity of the DuSang patent No. 2029561 as covered by its disclaimer filed July 13, 1947 and showed your Court the Official Gazette of August 26, 1947 in which it was published. Under patent law, this official publication gave notice to everyone in the U.S.A. that the DuSang "cast-on" invention had become public property and that everybody could use it.
>
> "Now, this invalidity was discussed in my reply brief from page 8 top to page 9 middle under the following headings:
>
> 'The DuSang Patent was declared finally invalid in 1947.'
>
> 'The Ooms opinion ignores the DuSang invalidity.'
>
> but your Court did not refer to it in its opinion."

Thus, the Court of Appeals had all the evidence concerning "invalidity" before it when it denied rehearing (R. Document No. 11). The Court should have provided to decide the effect of that invalidity.

In the Judgment rendered December 20, 1954, the Court of Appeals stated that "this cause came on to be heard on the transcript of the record". . . (App. 16) It would lengthen this outline considerably if Petitioner would discuss all the additional evidence available from the transcript. However, two letter-exhibits so drastically conflict with the opinions of the Disrict Court and of the Court of Appeals that it becomes vital to quote from them as follows:

Plf! Ex. PP is a letter written by Respondent's Patent Attorney Beaman to General Motors Corporation (R. 90-95) dated Nov. 29, 1947 which was 5 months after the DuSang disclaimer was published in the Offical Gazette of the U.S. Patent Office. The said letter refers to this invalidity as follows (R. 92 top):

> "In arriving at the opinion of no invention in the Seventh Circuit, there was an assumption of independent development by DuSang . . . based upon applications filed in 1934."

The letter then refers to paragraph 2 of agreement C (R. 9 bottom) which is the back license covering General Motors, and states:

> "The established royalty rate is a half cent per weight. The Loney Company is obligated to pay this royalty on all weights that it manufactures and sells for use on the production line of the spring clip type." (R. 93 bottom 94 top)

A copy of said letter was mailed to Respondent (R. 95 middle) who wrote Petitioner on following December 16, 1947 as follows (Ex. RR, R. 96 middle):

> "The Loney Company has not altered its stand . . . and we expect to continue to pay royalties on production business until such time as our Patents are declared invalid in the Sixth Circuit."

## ARGUMENT

The decision of the Court of Appeals is so grossly erroneous in important respects as to call for an exercise of the Court's power of supervision.

The questions presented are of vital importance to the parties of a patent license contract. There is scarcely a manufacturer in the United States which is not operating under one or more patent license contracts. Practically every invention of any consequence which is patented in the United States is the subject matter of one or more license contracts.

If the decisions in the District Court and the Court of Appeals are permitted to stand, there will be a lack of uniformity with respect to this important question of Patent Law which will produce confusion and uncertainty for both manufacturers and patent owners throughout the Nation.

The rule representing the weight of authority on these questions is best stated in Victory Bottle Capping Mach. Co. vs. C & J Mach. Co., 280 Fed. 753, 758, as follows:

> "It is a maxim of Common Law that one granting a thing impliedly grants that without which the thing expressly granted would be useless to the grantee. This maxim is as applicable to grants of patent rights as to other species of property" . . .

Patent Rights are Property Rights when made exclusive, and Property Rights are guaranteed by the Constitution of the United States. In its preamble it provides for a more perfect Union to establish Justice etc. and the Fifth Amendment provides that no person shall be deprived of property without due process of Law. The Fifth Amendment implies that the people retain the right to petition the Government for redress of grievances and was obviously provided because the people look to the Government as the Guardian of its Property Rights. These rights cannot be taken from the people without due process of law and Petitioner respectfully submits that his property rights be re-instated on the following ground:

(a) In deciding that an invalid patent was in effect, the District Court and the Court of Appeals swept aside the provisions under U.S. Patent Law that invalidity terminates the scope of a patent. Simultaneously, the District Court and the Court of Appeals swept aside Petitioner's Property rights.

(b) In deciding that Petitioner's royalty is not payable on the "Rubsam patents" the Court of Appeals based its decision on a question not presented. As pointed out before, the appeal in this action does not concern the Rubsam patents but 5 patents owned by Respondent.

(c) In deciding that the contracts "did not cover additional license rights under the same patent," the Court of Appeals swept aside Petitioner's *exclusive license* under any and all patents owned by Respondent which conflicts with contract law and patent law.

(d) In deciding that Petitioner's contract rights were subject to the cancelled and terminated Hume-DuSang agreement (Ex. 1, R. 21-24) the District Court and the Court of Appeals decided that a void contract was in effect. This conflicts with Petitioner's property rights which he acquired under superseding agreements.

## CONCLUSION

The Evidence supported by letter-exhibits PP and RR (explained on previous page 12 of this brief) shows that Respondent was informed by Patent Counsel that the DuSang patent No 2029561 was invalid wherefore the Hume-DuSang agreement of Dec. 4, 1934 had become void. Respondent was in full agreement with Petitioner as late as December 16, 1947 that his royalty was due on all spring clip cast-on balance weights sold to automobile manufacturers under all the other valid patents.

For this reason, Respondent must furnish to Petitioner the required monthly Royalty Reports under the identical heading as shown on page 7 of this brief.

The royalty of ½ cent per weight is due on all direct and indirect sales by Respondent to automobile manufacturers starting January 1st, 1948, and Respondent owes compound interest at the legal rate starting from the month and year when due.

For the reasons stated, it is respectfully submitted that this petition for a writ of certiorari should be granted.

CHARLES F. RUBSAM

Pro Se

June 1955